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JEI Personnel Changes

The Board of Trustees of the Japan Economic Institute is pleased to announce the appointment of William J. Barnds as the organization's President.

Mr. Barnds has worked for many years on Japanese and Asian affairs as well as on U.S. relations with Asia, first as a Senior Research Fellow at the Council on Foreign Relations in New York and more recently with the Senate Foreign Relations Committee and the House Foreign Affairs Committee. Immediately prior to assuming the presidency of JEI, Mr. Barnds was the Staff Director of the House Foreign Affairs' Subcommittee on Asian and Pacific Affairs. This subcommittee, which is responsible for the area from the Indian subcontinent through Northeast Asia, held extensive hearings on U.S.-Japan relations during Mr. Barnds' tenure.

Mr. Barnds received an undergraduate degree in business administration (finance) and a M.A. in economics from the University of Michigan. He also has a law degree from Georgetown University. Mr. Barnds is the author of several

Japan Economic Institute 1000 Connecticut Avenue, N.W., Washington, D.C. 20036 202-296-5633

The first session of what the Reagan administration bills as bilateral market-oriented sector-selective talks was devoted to telecommunications trade. The American participants were unimpressed. Commerce Under Secretary for International Trade Lionel Olmer and Deputy United States Trade Representative Michael B. Smith met with Deputy Foreign Minister Reishi Teshima and Vice Minister of Posts and Telecommunications (MPT) Moriya Koyama last week to exchange viewpoints on MPT's draft ordinances that will guide the deregulated telecommunications market. Of greatest concern were the proposals instituting a dual equipment certification system whereby Nippon Telegraph and Telephone Public Corp. (NTT) would have self-approval power over the goods it purchased, but all other companies seeking to sell telecommunications products in Japan would have to win approval from a separate institution. American negotiators feel not only that this system would give the privatized NTT a significant edge over the competition but that it erects a nontariff barrier around a market where U.S. companies are highly competitive -- a situation diametrically opposed to the access Japanese companies have in the U.S. market.

Additionally, MPT's failure to include provisions for type certification of equipment is a sensitive issue, since U.S. negotiators consider this omission a backward step. A MITI proposal to require up to four different types of approval seals has Americans on edge. It is possible that a single piece of equipment would have to obtain five seals in order to be marketed in Japan: one from NTT or MPT's appointed certification institute, another from NTT if the equipment hooks into its network, and one each from MITI for industrial quality, adherence to the Japan Industrial Standards Law and electrical safety. U.S. officials consider this far more complex than the current requirement for one approval seal from NTT, and are concerned that it enlarges opportunities for discrimination against foreign companies.

U.S. government and industry officials are also irked by Japan's refusal to distribute copies of the draft ordinances. While this is standard procedure for the Japanese government, U.S. industry representatives have insisted on seeing the actual draft before rendering their verdict. In an extraordinary step to reassure foreign parties, MPT Minister Megumu Sato agreed to release a summary of the draft ordinances by March 7 and to hold subsequent consultations with U.S. officials. Even this unusual move may not quell the brewing tempest, however.

If the Japanese draft proves to be unpalatable to the United States -- a strong possibility from preliminary indications -- very little time remains in which to hammer out a compromise among the Japanese ministries and then between the two countries. Many U.S. government and industry officials attach great symbolic importance to this issue. Both sides are working to bridge their differences before Mr. Brock's described perception gap widens. An MPT vice minister came to Washington early this week to lay the groundwork for a subcabinet-level meeting scheduled for February 25. It is unclear, however, whether enough time remains to completely defuse the issue.

Jon Choy

Awash in Red Ink: The 1984 U.S. Trade Account

The best thing that can be said about this country's mind-boggling 1984 merchandise trade deficit is that it was not quite as huge as analysts were

predicting just a few months ago. Instead of ballooning from $57.5 billion in 1983 to $115 billion or more, the flood of red ink stopped at the $107.8 billion mark. This minor victory was entirely the result of fourth-quarter developments. Normally the biggest import period of the year, the October-December quarter turned out to be 1984's smallest despite the return of faster-than-anticipated U.S. growth and the dollar's continued gains against major foreign currencies. Exports also proved to be more resilient to the dampening effects of the high-flying dollar than expected. Still, trade policymakers were hard pressed to find any grounds for optimism about the near-term U.S. trade performance in the year-end numbers. Imports, which had expanded by a modest 5.8 percent in 1983, advanced 26.2 percent last year to $325.7 billion on a Customs value basis, while exports rose 8.7 percent to $217.9 billion, although this increase did come on the heels of a two-year decline.

It is equally hard to find much good news in the big deficit with Japan, other than the fact that Japan's real role in the seemingly nonstop erosion of the U.S. trade account continued to defy conventional wisdom. The bilateral red-ink entry did soar from $19.3 billion in 1983 to $33.6 billion last year (see accompanying tables), but this hemorrhage represented only one-fourth-plus of the jump in the overall trade deficit. A bigger problem was the $15.5 billion deterioration in trade with developing countries, which shipped $45.5 billion more here than they bought in 1984. Worsening trade results with the European Community and Canada also added to the flow of red ink as 1983's small surplus with the ten-member Common Market was replaced by a $10 billion deficit and the traditional imbalance with Canada slid $6.1 billion farther into the hole to $20 billion.

Although the U.S. trade deficit reached a once-unimaginable magnitude in 1984, it will probably not bottom out until this year. Import expansion should continue to slow even if U.S. economic growth remains robust, but moderate gains in overseas purchases will still translate into big dollar increases. In addition, the skyrocketing dollar could start to trim U.S. sales abroad. Exports to Japan have already slowed although the yen resisted the dollar's advance longer and more strongly than other major currencies. This slowdown, which gathered additional momentum through 1984's four quarters, could be a preview of what will happen to aggregate U.S. exports in 1985.

Susan MacKnight

Notes

- The United States and Japan will eliminate their tariffs on semiconductors, currently 4.2 percent, effective March 1. The two governments had agreed to take this step in November 1983, but could not proceed until Congress passed the necessary legislation.

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The views expressed in this report are those of the authors and do not necessarily reflect those of the Japan Economic Institute.

U.S. Exports to Japan, 1983-84

(in millions of dollars, f.a.s. value basis)

	1983	1984	Percent Change
Total Exports	$21,894.3	$23,575.0	7.6%
Industrial Supplies	8,733.6	9,139.2	4.6
Bituminous Coal	1,002.0	865.4	-13.6
Petroleum Products	639.4	683.1	6.8
Natural Gas	266.8	262.3	-1.6
Nuclear Fuels	152.1	145.7	-4.2
Logs and Lumber	899.7	840.5	-6.5
Paper Base Stocks	479.0	519.9	8.5
Paper and Paper Products	285.4	290.0	1.6
Organic Chemicals	673.9	717.1	6.4
Inorganic Chemicals	633.7	836.4	31.9
Plastics and Synthetic Resin Compounds	330.6	356.6	7.8
Fertilizers and Insecticides	279.1	297.7	6.6
Steel Scrap	218.3	264.9	21.3
Nonferrous Ores and Scrap	308.8	363.8	17.8
Nonferrous Metals	412.9	378.9	-8.2
Textiles	98.4	112.8	14.6
Raw Cotton	499.9	605.1	21.0
Hides and Skins	239.5	325.2	35.7
Leaf Tobacco	338.5	286.0	-15.5
Food and Feed	5,554.7	5,929.2	6.7
Corn	1,764.4	1,999.3	13.3
Sorghum	85.5	269.8	215.5
Soybeans	1,210.0	1,172.7	-3.0
Wheat	589.3	534.4	-9.3
Fruits and Vegetables	418.8	452.6	8.0
Meat and Meat Products	574.2	571.0	-0.5
Fish and Fish Products	505.9	502.9	-0.5
Capital Goods	5,116.4	5,626.6	9.9
Nonelectric Machinery	2,936.4	3,458.5	17.7
Data Processing Equipment	916.6	1,166.2	27.2
Measuring, Testing and Control Instruments	396.8	445.5	12.2
Laboratory Testing and Control Instruments	89.0	93.6	5.1
Scientific, Professional and Medical Equipment	225.5	247.1	9.5
Power Generating Equipment (excl. aircraft and automotive engines)	251.2	307.5	22.4
Oil and Gas Field Equipment	88.5	66.9	-24.4
Metalworking Equipment	91.1	105.5	15.8
Service Industry Equipment	113.6	111.3	-2.0
Electric Machinery	713.2	874.9	22.6
Generators and Transformers	73.3	92.3	25.9
Broadcast and Communications Equipment	323.9	416.7	28.6
Telephonic and Other Electric Equipment	316.0	365.8	15.7

Transportation Equipment	1,466.7	1,293.2	-11.8
Civilian Aircraft	834.8	541.4	-35.1
Civilian Aircraft Engines and Parts	361.0	437.5	21.1
Automotive Parts	144.5	180.2	24.7
Consumer Goods	1,394.4	1,475.5	5.8
Pharmaceuticals	543.8	571.8	5.1
Toys and Sporting Goods	114.4	89.3	-21.9
Cigarettes	80.5	95.4	18.5

U.S. Imports from Japan, 1983-84

(in millions of dollars, Customs value basis)

	1983	1984	Percent Change
Total Imports	$41,183.2	$57,135.0	38.7%
Capital Goods	11,895.8	19,289.6	62.1
Nonelectric Machinery	7,906.8	12,891.0	63.0
Business Machines	3,789.3	6,414.6	69.2
Metalworking Machinery	602.7	896.6	48.7
Agricultural Machinery	224.7	340.9	51.7
Specialized Industrial Machinery	721.5	1,480.6	105.2
Scientific, Professional and Medical Equipment	330.5	477.1	44.3
Electric Machinery	3,756.4	6,029.4	60.5
Transportation Equipment	232.6	368.3	58.3
Automotive Products	14,919.3	18,476.9	23.8
Passenger Cars	10,763.2	12,349.9	14.7
Trucks	2,092.0	2,912.0	39.1
Automotive Parts	2,061.3	3,205.6	55.5
Consumer Goods	8,296.4	11,265.6	35.7
Video and Audio Recorders and Players and Stereo Equipment	2,347.5	3,756.7	60.0
Television Sets	422.9	684.3	61.8
Radio Receivers	246.2	285.5	15.9
Tableware and Glassware	356.1	408.8	14.7
Metal Cookware and Cutlery	397.7	403.5	1.4
Photographic and Optical Goods	845.7	1,038.0	22.7
Clocks and Watches	336.2	437.6	30.1
Toys and Sporting Goods	274.8	412.2	50.0
Motorcycles and Parts	741.0	661.5	-10.7
Clothing	339.7	494.0	45.4
Intermediate Goods	5,391.3	7,275.6	34.9
Steel Mill Products	1,931.3	3,149.9	63.0
Nonferrous Metals	393.3	506.4	28.7
Organic Chemicals	433.3	514.7	18.7
Tires and Tubes	409.1	516.3	26.2
Textiles	581.7	671.0	15.3